

Tata Motors (SA) Proprietary Limited
(Registration number:2007/034689/07)

Annual Financial Statements
for the year ended 31 March 2022

Audited

Prepared by: Jay Choksi
Chief Financial Officer

The financial statements represent the financial information of Tata Motors (SA) (Pty) Ltd and have been audited in compliance with S30 of the Companies Act of 2008.

Tata Motors (SA) Proprietary Limited

(Registration number:2007/034689/07)

Annual Financial Statements

for the year ended 31 March 2022

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Tata Motors (SA) Proprietary Limited

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Directors' Responsibility Statement

at 31 March 2022

The directors are required by the South African Companies Act of 2008 to maintain adequate accounting records and are responsible for the content and integrity of the financial statements and related financial information included in this report. It is their responsibility to ensure that the financial statements fairly present the state of affairs of the company as at 31 March 2022 and the results of its operations and cash flows for the year then ended, in conformity with International Financial Reporting Standards. The external auditors are engaged to express an independent opinion on the financial statements.

The financial statements are prepared in accordance with International Financial Reporting Standards and are based upon appropriate accounting policies and supported by reasonable and prudent judgements and estimates.

The directors' responsibility includes: designing, implementing and maintaining internal control as the directors determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error; selecting and applying appropriate accounting policies; and making accounting estimates that are reasonable in the circumstances.

The directors' responsibility also includes maintaining adequate accounting records and an effective system of risk management as well as the preparation of the supplementary schedules included in the annual financial statements.

The directors acknowledge that they are responsible for establishing internal controls, systems and procedures that provide reasonable assurance that all the assets are safeguarded, transactions properly executed and recorded and that the possibility of material loss or misstatement is minimised. To this end, proper delegation of responsibilities and an adequate approvals framework has been introduced to ensure an acceptable level of risk commensurate with the size of the operation. All employees are required to maintain the highest ethical standards in ensuring that appropriate infrastructure, controls systems and ethical behaviour are applied and managed within predetermined procedures and constraints.

The directors are of the opinion, based on the information and explanations given by management that the system of internal control provides reasonable assurance that the financial records may be relied on for the preparation of the financial statements. However, any system of internal financial control can provide only reasonable, and not absolute, assurance against material misstatement or loss.

Tata Motors (SA) Proprietary Limited

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Directors' Responsibility Statement *(continued)*

at 31 March 2022

The financial statements have been prepared on the going concern basis, since the directors have every reason to believe that the company has adequate resources in place to continue in operation for the foreseeable future.

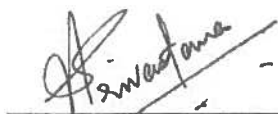
The external auditors are responsible for independently reviewing and reporting on the financial statements, which were examined by the external auditors and their unmodified report, is presented on page 6 to 8.

The financial statements of Tata Motors (SA) Proprietary Limited, as set out on pages 9 to 41, were approved by the board of directors on 10 May 2022 and were subsequently signed on its behalf by:

Approval of the annual financial statements



Vishal Khosla
Director



Niraj Srivastava
Director

Tata Motors (SA) Proprietary Limited

(Registration number: 2007/034689/07)

Directors' Report

For the year ended 31 March 2022

The directors have pleasure in presenting their report on the activities of the company for the year ended 31 March 2022.

Business Activities

The company manufactures and assembles commercial vehicles from the kits supplied by Tata Motors Limited, India and Tata Daewoo Commercial Vehicle Company Limited, South Korea. A site at Rosslyn has been obtained on lease from Tata Africa Holdings (SA) (Pty) Ltd. The company sells its units to Tata Africa Holdings (SA) (Pty) Ltd with effect from 01st April 2021. Earlier, the company sold its units to Tata Automobile Corporation (SA) (Pty) Ltd which sold its business of going concern to Tata Africa Holdings (SA) (Pty) Ltd with effect from 31st March 2021.

Financial Statements

The financial position of the company and the results of its operations for the year are set out in the attached financial statements on pages 9 to 41 and in the opinion of the directors require no further comment.

Authorised and Issued Share Capital

The authorised share capital of the company is R 42 000 000 (2021: R 42 000 000). The issued share capital is R 19 837 000 (2021: R 19 837 000).

Dividends

No dividend was declared or paid during the year (2021: R nil).

Directors

The directors of the company during the year under review and up to the date of the annual financial statements:

| <u>Name</u> | <u>Nationality</u> |
|------------------|---------------------------------------------------|
| Girish Wagh | Indian |
| R Maitra | Indian - Resigned on 29 th March 2022 |
| Niraj Srivastava | Indian |
| Vishal Khosla | Indian |
| Len Brand | South African |
| A Mehrotra | Indian - Appointed on 30 th March 2022 |

Company Secretary

The company is utilising secretarial services from parent company Tata Motors Limited, India.

Tata Motors (SA) Proprietary Limited

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Directors Report (continued)

For the year ended 31 March 2022

Holding Company

Tata Motors (SA) Proprietary Limited is a subsidiary of TML Holdings Pte. Limited which holds 60% of the company's ordinary shares. TML Holdings Pte. Limited is incorporated in Singapore.

Post Balance Sheet Events

The directors are not aware of any events of a material nature that have occurred between the accounting date and the date of this report.

Going Concern

The financial statements have been prepared on the basis of accounting policies applicable to a going concern. The basis presumes that funds will be available to finance future operations and the realization of assets and settlement of liabilities, contingent obligations and commitments will occur in the normal course of business.

Auditors

KPMG Inc. are the appointed auditor of Tata Motors (SA) Proprietary Limited.

Registered Office and Postal Address

The registered and postal addresses of the company are:

Business Address

11 William Hoy Street
Rosslyn, Pretoria
0200

Postal Address

P.O. Box 911-863
Rosslyn, Pretoria
0200



KPMG Inc
KPMG Crescent
85 Empire Road, Parktown, 2193,
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Telephone +27 (0)11 647 7111
Fax +27 (0)11 647 8000
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Web <http://www.kpmg.co.za>

Independent Auditor's Report

To the shareholders of Tata Motors (SA) Proprietary Limited

Opinion

We have audited the financial statements of Tata Motors (SA) Proprietary Limited (the Company) set out on pages 9 to 41 which comprise the statement of financial position as at 31 March 2022, and the statement of profit or loss and other comprehensive income, the statement of changes in equity and the statement of cash flows for the year then ended, and notes to the financial statements, including a summary of significant accounting policies.

In our opinion, the financial statements present fairly, in all material respects, the financial position of Tata Motors (SA) Proprietary Limited as at 31 March 2022, and its financial performance and cash flows for the year then ended in accordance with International Financial Reporting Standards and the requirements of the Companies Act of South Africa.

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (ISAs). Our responsibilities under those standards are further described in the *Auditor's responsibilities for the audit of the financial statements* section of our report. We are independent of the Company in accordance with the Independent Regulatory Board for Auditors' *Code of Professional Conduct for Registered Auditors* (IRBA Code) and other independence requirements applicable to performing audits of financial statements in South Africa. We have fulfilled our other ethical responsibilities in accordance with the IRBA Code and in accordance with other ethical requirements applicable to performing audits in South Africa. The IRBA Code is consistent with the corresponding sections of the International Ethics Standards Board for Accountants' *International Code of Ethics for Professional Accountants (including International Independence Standards)*. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Other information

The directors are responsible for the other information. The other information comprises the information included in the document titled "Tata Motors (SA) Proprietary Limited Annual Financial Statements for the year ended 31 March 2022", which includes the Directors' Report as required by the Companies Act of South Africa. The other information does not include the financial statements and our auditor's report thereon.

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Our opinion on the financial statements does not cover the other information and we do not express an audit opinion or any form of assurance conclusion thereon.

Responsibilities of the directors for the financial statements

The directors are responsible for the preparation and fair presentation of the financial statements in accordance with International Financial Reporting Standards and the requirements of the Companies Act of South Africa, and for such internal control as the directors determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, the directors are responsible for assessing the Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the directors either intend to liquidate the company or to cease operations, or have no realistic alternative but to do so.

Auditor's responsibilities for the audit of the financial statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

As part of an audit in accordance with ISAs, we exercise professional judgement and maintain professional scepticism throughout the audit. We also:

Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the company's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the directors.
- Conclude on the appropriateness of the directors' use of the going concern basis of accounting and based on the

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audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the company to cease to continue as a going concern.

- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

We communicate with the directors regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

KPMG Inc.

A large, stylized handwritten signature in black ink, appearing to read 'Z Mabindla', is written over the printed name and title.

Per Z Mabindla
Chartered Accountant (SA)
Registered Auditor
Director
10 May 2022

Tata Motors (SA) Proprietary Limited

(Registration number: 2007/034689/07)

Statement of Financial Position

at 31 March 2022

| | Notes | 2022 R | 2021 R |
|------------------------------------------------|-------|--------------------|--------------------|
| Assets | | | |
| Non-current assets | | 16 999 950 | 20 475 551 |
| Property, plant and equipment | 3 | 10 969 822 | 11 645 702 |
| Right-of-use assets | 4 | 6 030 128 | 8 829 849 |
| Intangible assets | 5 | - | - |
| Current assets | | 152 222 363 | 266 636 564 |
| Inventories | 6 | 86 223 388 | 95 669 624 |
| Tax asset | | - | 10 913 |
| Trade and other receivables | 7 | 57 228 642 | 163 847 929 |
| Cash and cash equivalents | 8 | 8 770 333 | 7 108 098 |
| Total assets | | 169 222 313 | 287 112 115 |
| Equity and Liabilities | | | |
| Equity | | 45 816 924 | 37 342 413 |
| Share capital | 9 | 19 837 000 | 19 837 000 |
| Retained earnings | | 25 979 924 | 17 505 413 |
| Non- Current Liabilities | | 6 048 531 | 15 793 130 |
| Shareholders loans | 10 | - | 6 329 800 |
| Deferred taxation | 11 | 441 501 | 862 174 |
| Deferred income –long term (government grant) | 12 | 1 477 446 | 1 641 606 |
| Right-of-use liabilities | 23 | 4 129 584 | 6 959 550 |
| Current liabilities | | 117 356 858 | 233 976 572 |
| Bank Overdraft | 8 | 96 162 | 4 213 545 |
| Trade and other payables | 13 | 115 191 055 | 228 811 903 |
| Provisions | 14 | 981 564 | 786 964 |
| Deferred income- short term (government grant) | 12 | 164 160 | 164 160 |
| Tax liability | | 923 917 | - |
| Total equity and liabilities | | 169 222 313 | 287 112 115 |

Tata Motors (SA) Proprietary Limited

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Statement of Profit or Loss and Other Comprehensive Income for the year ended 31 March 2022

| | Notes | 2022 R | 2021 R |
|------------------------------------------------|-------|-------------------|-------------------|
| Revenue | 15 | 330 189 883 | 290 955 346 |
| Cost of sales | | (309 779 307) | (279 313 429) |
| Gross profit | | 20 410 576 | 11 641 917 |
| Other income | | 1 394 656 | 1 249 374 |
| Administrative and operating expenses | | (8 829 872) | (7 895 684) |
| Profit from operations | 16 | 12 975 360 | 4 995 607 |
| Interest received | 17 | 958 687 | 1 092 194 |
| Finance costs | 18 | (1 248 878) | (1 776 441) |
| Profit before taxation | | 12 685 169 | 4 311 360 |
| Taxation | 19 | (4 210 658) | (1 269 912) |
| Net profit for the year | | 8 474 511 | 3 041 448 |
| Other comprehensive income | | - | - |
| Total comprehensive income for the year | | 8 474 511 | 3 041 448 |

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Tata Motors (SA) Proprietary Limited

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Statement of Changes in Equity

for the year ended 31 March 2022

| | Share Capital R | Retained Income R | Total R |
|-------------------------------------------|--------------------|-------------------------|------------|
| Balance at 1 April 2020 | 19 837 000 | 14 463 965 | 34 300 965 |
| Total comprehensive income for the period | - | 3 041 448 | 3 041 448 |
| Balance at 1 April 2021 | 19 837 000 | 17 505 413 | 37 342 413 |
| Total comprehensive income for the period | - | 8 474 511 | 8 474 511 |
| Balance at 31 March 2022 | 19 837 000 | 25 979 924 | 45 816 924 |

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Tata Motors (SA) Proprietary Limited

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Statement of Cash Flows

for the year ended 31 March 2022

| | Notes | 2022 R | 2021 R |
|----------------------------------------------------------------------------|----------|-------------------------|-------------------------|
| Cash flow from operating activities | | | |
| Cash generated from operations | 20 | 21 498 127 | 11 959 614 |
| Finance costs | | (3 613 206) | (865 724) |
| Interest received | | 958 687 | 1 092 194 |
| Taxation paid | | (3 696 502) | (1 823 369) |
| Net cash inflows from operating activities | | <u>15 147 106</u> | <u>10 362 715</u> |
| Cash flow from investing activities | | | |
| Acquisition of plant and equipment and other assets to maintain operations | 3 | (472 034) | (51 268) |
| Net cash outflows from investing activities | | <u>(472 034)</u> | <u>(51 268)</u> |
| Cash flow from financing activities | | | |
| Repayment of shareholders loan | | (6 329 800) | - |
| Payment of Lease Rent | | (2 565 655) | (4 375 749) |
| Net cash outflow from financing activities | | <u>(8 895 455)</u> | <u>(4 375 749)</u> |
| Net increase/ (decrease) in cash and cash equivalents | | 5 779 618 | 5 935 698 |
| Cash and cash equivalents at beginning of year | | 2 894 553 | (3 041 145) |
| Cash and cash equivalents at end of the year | 8 | <u>8 674 171</u> | <u>2 894 553</u> |

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Tata Motors (SA) Proprietary Limited

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Accounting Policies *(continued)*

for the year ended 31 March 2022

1. Basis of accounting

The financial statements have been prepared in accordance with International Financial Reporting Standards, the interpretations of the International Financial Accounting Standards Board (the IASB) and the International Financial Reporting Interpretations Committee (IFRIC) of the IASB, and the requirements of the Companies Act of South Africa, 2008.

They were authorised for issue by the Company's board of directors on 10 May 2022.

The financial statements have been prepared on the historical cost basis. The principle accounting policies are set out below.

2. Presentation of the financial statements

The financial statements are presented in South African Rands since that is the currency in which the majority of the company transactions are denominated.

3. Use of estimates and judgements

The preparation of financial statements in conformity with IFRS requires management to make reasonable judgements, estimates and assumptions that affect the application of policies and reported amounts of assets and liabilities, income and expenses. Actual results may differ from these estimates.

The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised if the revision affects only that year or in the year of the revision and future years if the revision affects both current and future years.

Judgements made by management in the application of IFRS that have a significant effect on the financial statements and estimates with a significant risk of material adjustment in the next year are discussed in note 27.

4. Standards and interpretations issued but not yet effective

In terms of International Reporting Standards, the company is required to include in its annual financial statement's disclosure about the future impact of standards and interpretations issued but not yet effective at the reporting date.

At the date of authorisation of the financial statements the following Standards and Interpretations that are applicable to the business of the entity and may impact on future financial statements:

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Tata Motors (SA) Proprietary Limited

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Accounting Policies (continued)

for the year ended 31 March 2022

4. Standards and interpretations issued but not effective (continued)

At the date of authorisation of the financial statements of the company for the year ended 31 March 2022 the following standards and interpretations were in issue but not yet effective

| Standard/Interpretation | | Date issued by IASB | Effective date Periods beginning on or after |
|-----------------------------------------------|---------------------------------------------------------------------------------------|---------------------|---------------------------------------------------------------------|
| IFRS 16 amendment | <i>COVID-19 Related Rent Concessions beyond 30 June 2021</i> | March 2021 | 1 April 2021 |
| IAS 37 amendment | Onerous Contracts: Cost of Fulfilling a Contract | May 2020 | 1 January 2022 |
| IFRS 1, IFRS 9, IFRS 16 and IAS 41 amendments | Annual Improvements to IFRS Standards (2018 – 2020) | May 2020 | 1 January 2022 |
| IAS 16 amendment | Property, Plant and Equipment: Proceeds before Intended Use | May 2020 | 1 January 2022 |
| IFRS 3 | Reference to the Conceptual Framework | May 2020 | 1 January 2022 |
| IFRS 17 | Insurance Contracts | May 2017 | 1 January 2023 |
| IFRS 17 amendments | Insurance Contracts | June 2020 | 1 January 2023 |
| IAS 8 amendment | Definition of Accounting Estimates | February 2021 | 1 January 2023 |
| IAS 1 and IFRS Practice Statement 2 amendment | Disclosure Initiative: Accounting Policies | February 2021 | 1 January 2023 |
| IAS 12 amendment | Deferred Tax Related to Assets and Liabilities Arising from a Single Transaction | May 2021 | 1 January 2023 |
| IAS 1 amendment | Classification of liabilities as current or non-current | January 2020 | 1 January 2023 (tentatively deferred to 1 January 2024 or later) |
| IFRS 10 and IAS 28 amendment | Sale or Contribution of Assets between an Investor and its Associate or Joint Venture | September 2014 | Deferred indefinitely by amendments made in December 2015 |

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Tata Motors (SA) Proprietary Limited

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Accounting Policies (continued)

for the year ended 31 March 2022

4. Standards and interpretations issued but not effective (continued)

The directors have considered all standards and interpretations in issue that are not yet effective up to the date of authorisation of the annual financial statements for the year ended 31 March 2022 and do not expect them to have significant impact on entity.

5. Property, plant and equipment

Assets in the course of construction are carried at cost, less any recognised impairment loss. Cost includes professional fees and, for qualifying assets, borrowing costs capitalised in accordance with the Company's accounting policy. Such assets are classified to the appropriate categories of plant and equipment when completed and ready for intended use. Depreciation of these assets, on the same basis as other asset categories, commences when the assets are ready for their intended use.

Plant and equipment is stated at cost less accumulated depreciation and any accumulated impairment losses.

Depreciation is charged to income on the straight-line basis so as to write off the cost or valuation of the assets to their estimated residual values over their estimated useful lives. The estimated useful lives and residual values are reviewed at each year-end, with the effect of any changes in estimate accounted for on a prospective basis. The depreciation rates used are as follows:

| Item | Useful Life Range | | |
|------------------------|-------------------|----|----------|
| Machinery | 4 Years | To | 21 Years |
| Furniture and Fittings | 4 Years | To | 21 Years |
| Vehicles | 9 Years | | |
| Equipment | 4 Years | To | 30 Years |
| Leasehold Improvements | 5 Years | To | 30 Years |

6. Intangible assets

Intangible assets with finite useful lives that are acquired separately are carried at cost less accumulated amortisation and accumulated impairment losses. Amortisation is recognised on a straight-line basis over their estimated useful lives. The estimated useful life and amortisation method are reviewed at the end of each reporting year, with the effect of any changes in estimate being accounted for on a prospective basis. Intangible assets relate to software and pre-operating expenses and are amortised over 4 to 5 years.

7. Inventories

Inventories are carried at the lower of cost and net realisable value. Cost is calculated as the actual raw material cost and an appropriate proportion of variable and fixed overheads. Net realisable value presents the estimated selling price less all estimated costs of completion and costs to be incurred in marketing, selling and distribution.

Tata Motors (SA) Proprietary Limited

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Accounting Policies (continued)

for the year ended 31 March 2022

8. Definition of a lease

The company had made use of the practical expedient on transition to IFRS 16 to reassess whether a contract is or contain a lease. The company applied IFRS 16 to contract that was previously identified as lease. Contracts that were not identified as leases under IAS 17 and IFRIC 4 were not reassessed for whether there is a lease under IFRS 16. Therefore, the definition of a lease under IFRS 16 was applied to contracts entered into or changed on or after 1 January 2019.

Short-term leases of low-value assets

The company has elected not to recognise right-of-use assets and lease liabilities for leases of low-value assets and short-term leases, including IT equipment.

9. Impairment

At each statement of financial position date, the company reviews the carrying amounts of its tangible and intangible assets to determine whether there is any indication that those assets have suffered an impairment loss. If any such indication exists, the recoverable amount of the asset is estimated in order to determine the extent of the impairment loss (if any). Where it is not possible to estimate the recoverable amount of an individual asset, the company estimates the recoverable amount of the cash-generating unit to which the asset belongs.

Where a reasonable and consistent basis of allocation can be identified, corporate assets are also allocated to individual cash-generating units, or otherwise they are allocated to the smallest group of cash-generating units for which a reasonable and consistent allocation basis can be identified.

Recoverable amount is the higher of fair value less costs to sell and value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset for which the estimates of future cash flows have not been adjusted.

If the recoverable amount of an asset (or cash-generating unit) is estimated to be less than its carrying amount, the carrying amount of the asset (cash-generating unit) is reduced to its recoverable amount. An impairment loss is recognised immediately in profit or loss, unless the relevant asset is carried at a revalued amount, in which case the impairment loss is treated as a revaluation decrease.

Where an impairment loss subsequently reverses, the carrying amount of the asset (cash-generating unit) is increased to the revised estimate of its recoverable amount, but so that the increased carrying amount does not exceed the carrying amount that would have been determined had no impairment loss been recognised for the asset (cash-generating unit) in prior years. A reversal of an impairment loss is recognised immediately in profit or loss, unless the relevant asset is carried at a revalued amount, in which case the reversal of the impairment loss is treated as a revaluation increase.

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Tata Motors (SA) Proprietary Limited

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Accounting Policies *(continued)*

for the year ended 31 March 2022

10. Revenue

The Company recognizes revenues on the sale/invoicing of products to customer, all title, risks, and rewards of ownership is passed on to the customer upon invoicing. Sale of products is presented net of taxes (i.e. VAT) with no other further obligations and conditions. Revenues are recognized assuming the collectability of the resulting receivable is reasonably assured. For a sale with a payment term more than 12 months, revenue is recognized at net present value on date of sale.

11. Foreign currency

Transactions in currencies other than the company's reporting currency (South African Rand) are initially recorded at the rates of exchange ruling on the dates of the transactions. Monetary assets and liabilities denominated in such currencies are retranslated at the rates ruling on the statement of financial position date. Exchange differences arising on the settlement of monetary items or on reporting an enterprise's monetary items at rates different from those at which they were initially recorded are recognised as income or expenses in the year in which they arise.

12. Taxation

Income tax expense represents the sum of the tax currently payable and deferred tax.

Current tax

The tax currently payable is based on taxable profit for the year. Taxable profit differs from profit as reported in the statement of comprehensive income because it excludes items of income or expense that are taxable or deductible in other years and it further excludes items that are never taxable or deductible. The company's liability for current tax is calculated using tax rates that have been enacted or substantively enacted by the statement of financial position date.

Deferred tax

Deferred tax is recognised on differences between the carrying amounts of assets and liabilities in the financial statements and the corresponding tax bases used in the computation of taxable profit, and are accounted for using the statement of financial position liability method. Deferred tax liabilities are generally recognised for all taxable temporary differences, and deferred tax assets are generally recognised for all deductible temporary differences to the extent that it is probable that taxable profits will be available against which those deductible temporary differences can be utilised. Such assets and liabilities are not recognised if the temporary difference arises from goodwill or from the initial recognition (other than in a business combination) of other assets and liabilities in a transaction that affects neither the taxable profit nor the accounting profit.

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Tata Motors (SA) Proprietary Limited

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Accounting Policies *(continued)*

for the year ended 31 March 2022

12. Taxation (continued)

The carrying amount of deferred tax assets is reviewed at each statement of financial position date and reduced to the extent that it is no longer probable that sufficient taxable profits will be available to allow all or part of the asset to be recovered.

Deferred tax assets and liabilities are measured at the tax rates that are expected to apply in the year in which the liability is settled or the asset realised, based on tax rates (and tax laws) that have been enacted or substantively enacted by the statement of financial position date. The measurement of deferred tax liabilities and assets reflects the tax consequences that would follow from the manner in which the company expects, at the reporting date, to recover or settle the carrying amount of its assets and liabilities.

Current and deferred tax for the year

Current and deferred tax are recognised as an expense or income in profit or loss, except when they relate to items credited or debited directly to equity, in which case the tax is also recognised directly in equity, or where they arise from the initial accounting for a business combination.

13. Borrowing costs

Borrowing costs directly attributable to the acquisition, construction or production of qualifying assets, which are assets that necessarily take a substantial period of time to get ready for their intended use or sale, are added to the cost of those assets, until such time as the assets are substantially ready for their intended use or sale.

Investment income earned on the temporary investment of specific borrowings pending their expenditure on qualifying assets is deducted from the borrowing costs eligible for capitalisation.

All other borrowing costs are recognised in profit or loss in the period in which they are incurred.

14. Provisions

Provisions are recognised when the company has a present obligation (legal or constructive) as a result of a past event, it is probable that the company will be required to settle the obligation, and a reliable estimate can be made of the amount of the obligation.

The amount recognised as a provision is the best estimate of the consideration required to settle the present obligation at the statement of financial position date, taking into account the risks and uncertainties surrounding the obligation.

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Tata Motors (SA) Proprietary Limited

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Accounting Policies (continued)

for the year ended 31 March 2022

15. Financial Instruments

Financial assets and financial liabilities are recognised in the company's statement of financial position when the company has become a party to the contractual provisions of the instrument.

Financial assets

The company makes an assessment of the objective of the business model in which an asset is held at portfolio level because this best reflects the way the business is managed and information is provided to management.

Business model measurements

Depending on the business model and the structure of contractual cash flows, financial assets are classified as follows:

- Amortised Cost,
The 'amortised cost' is the amount at which financial asset is measured on initial recognition minus the principal repayments, plus or minus the cumulative amortisation using the effective interest method of any difference between that initial amount and the maturity amount and, for financial assets, adjusted for any expected credit loss allowance before 1 January 2019).

A financial asset is classified at amortised cost if it meets both of the following conditions and is not designated as at fair value through profit (FTTPL)

- o The asset is held with the business model whose objective is to hold assets to collect contractual cash flows; and
- o The contractual terms of the financial asset give rise on specified dates to cash flows that are solely payment of principal and principal and interest (SPPI).

At amortised cost financial assets

Trade and other receivables and cash and cash equivalents that have fixed or determinable payments that are not quoted in an active market are classified as at amortised cost financial assets. At amortised cost financial assets are initially measured at fair value and are subsequently measured at amortised cost using the effective interest method, less any impairment. Interest income is recognised by applying the effective interest rate, except for short-term receivables when the recognition of interest would be immaterial.

Effective interest method

The effective interest method is a method of calculating the amortised cost of a financial asset and of allocating interest income over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash receipts (including all fees on points paid or received that form an integral part of the effective interest rate, transaction costs and other premiums or discounts) or payments through the expected life of the financial asset or liability (respectively), or, where appropriate, a shorter period, to the net carrying amount on initial recognition.

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Tata Motors (SA) Proprietary Limited

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Accounting Policies (continued)

for the year ended 31 March 2022

15. Financial Instruments (continued)

Derecognition of financial assets

The company derecognises a financial asset only when the contractual rights to the cash flows from the asset expire; or it transfers the financial asset and substantially all the risks and rewards of ownership of the asset to another entity. If the company neither transfers nor retains substantially all the risks and rewards of ownership and continues to control the transferred asset, the company recognises its retained interest in the asset and an associated liability for amounts it may have to pay. If the company retains substantially all the risks and rewards of ownership of a transferred financial asset, the company continues to recognise the financial asset and also recognises a collateralised borrowing for the proceeds received.

Impairment of financial assets

Trade and other receivables are stated at amortised cost. Tata Motors SA applies the simplified approach described in IFRS 9 trade receivables, whereby the amount of the loss allowance is measured subsequent to the initial recognition of the receivable on the basis of lifetime expected credit losses (stage 2- simplified approach)

Financial Liabilities

Classification

Management determines the classification of financial liabilities at initial recognition. The company classified its financial liabilities in two categories:

- Amortised Cost,
Financial liabilities at amortised cost includes trade and payables, bank overdrafts and shareholders loans
Financial liabilities at fair value through profit or loss (Derivative financial instrument)

15. Related party transactions

Related parties are defined as those parties that:

- a) directly, or indirectly through one or more intermediaries:
 - (i) control, are controlled by, or are under common control with, the entity (this includes parents, subsidiaries and fellow subsidiaries);
 - (ii) have an interest in the entity that gives it significant influence over the entity; or
- b) are members of the key management personnel of the entity or its parent including close members of the family.

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Tata Motors (SA) Proprietary Limited

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Notes to Financial Statements *(continued)*

for the year ended 31 March 2022

2. Significant Accounting Judgements

In the process of applying the company's accounting policies, management has made the following judgements, apart from those involving estimations, which have the most significant effect on the amounts recognised in the financial statements:

Income taxes and deferred taxes

The company recognises the net future tax benefit related to deferred income tax assets to the extent that it is probable that the deductible temporary differences will reverse in the foreseeable future. Assessing the recoverability of deferred income tax assets requires the company to make significant estimates related to expectations of future taxable income. Estimates of future taxable income are based on forecast cash flows from operations and the application of existing tax laws in each jurisdiction. To the extent that future cash flows and taxable income differ significantly from estimates, the ability of the company to realise the net deferred tax assets recorded at the reporting date could be impacted. Additionally, future changes in tax laws in the jurisdictions in which the company operates could limit the ability of the company to obtain tax deductions in future periods.

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Tata Motors (SA) Proprietary Limited

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Notes to Financial Statements

for the year ended 31 March 2022

3. Property, plant and equipment

| | Machinery | Furniture and fittings | Vehicles | Equipment | Leasehold improvements | Total |
|------------------------------------|------------------|------------------------|----------------|-------------------|------------------------|-------------------|
| 2022 | | | | | | |
| Cost | | | | | | |
| Balance as at 1 April 2021 | 5 175 187 | 284 804 | 186 000 | 10 096 082 | 10 030 024 | 25 772 097 |
| Additions | - | 45 664 | - | 426 370 | - | 472 034 |
| Scrapped | - | - | - | (12 670) | - | (12 670) |
| Balance as at 31 March 2022 | 5 175 187 | 330 468 | 186 000 | 10 509 783 | 10 030 024 | 26 231 462 |
| Accumulated Depreciation | | | | | | |
| Balance as at 1 April 2021 | 2 624 562 | 184 502 | 186 000 | 6 875 517 | 4 255 814 | 14 126 396 |
| Depreciation | 245 528 | 27 613 | - | 502 597 | 367 261 | 1 142 999 |
| Scrapped | - | - | - | (7 754) | - | (7 755) |
| Balance as at 31 March 2022 | 2 870 090 | 212 115 | 186 000 | 7 370 360 | 4 623 075 | 15 261 640 |
| Carrying Value | | | | | | |
| Balance as at 1 April 2021 | 2 550 625 | 100 302 | - | 3 220 565 | 5 774 210 | 11 645 702 |
| Balance as at 31 March 2022 | 2 305 097 | 118 353 | - | 3 139 423 | 5 406 949 | 10 969 822 |

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Tata Motors (SA) Proprietary Limited

(Registration number: 2007/034689/07)

Notes to Financial Statements (continued)

for the year ended 31 March 2022

3. Property, plant and equipment(continued)

| | Machinery | Furniture and fittings | Vehicles | Equipment | Leasehold improvements | Total |
|---------------------------------|-----------|------------------------|----------|------------|------------------------|------------|
| 2021 | | | | | | |
| Cost | | | | | | |
| Balance as at 1 April 2020 | 5 175 187 | 283 606 | 186 000 | 10 059 519 | 10 030 024 | 25 734 336 |
| Additions | - | 1 198 | - | 50 070 | - | 51 268 |
| Scrapped | - | - | - | (13 507) | - | (13 507) |
| Balance as at 31 March 2021 | 5 175 187 | 284 804 | 186 000 | 10 096 082 | 10 030 024 | 25 772 097 |
| Accumulated Depreciation | | | | | | |
| Balance as at 1 April 2020 | 2 367 152 | 158 239 | 186 000 | 6 326 638 | 3 888 553 | 12 926 582 |
| Depreciation | 257 410 | 26 263 | - | 562 387 | 367 261 | 1 213 321 |
| Scrapped | - | - | - | (13 507) | - | (13 507) |
| Balance as at 31 March 2021 | 2 624 562 | 184 502 | 186 000 | 6 875 517 | 4 255 814 | 14 126 396 |
| Carrying Value | | | | | | |
| Balance as at 1 April 2020 | 2 808 035 | 125 367 | - | 3 732 881 | 6 141 471 | 12 807 754 |
| Balance as at 31 March 2021 | 2 550 625 | 100 302 | - | 3 220 565 | 5 774 210 | 11 645 702 |

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Tata Motors (SA) Proprietary Limited

(Registration number: 2007/034689/07)

Notes to Financial Statements (continued)

for the year ended 31 March 2022

4. Right of use assets

| | Commercial Premises | Total |
|------------------------------------|------------------------|-------------------|
| 2022 | | |
| Cost | | |
| Balance as at 1 April 2021 | 13 276 757 | 13 276 757 |
| Adjustment to right of use | (258 458) | (258 458) |
| Balance as at 31 March 2022 | 13 018 299 | 13 018 299 |
| Accumulated Amortization | | |
| Balance as at 1 April 2021 | 4 446 907 | 4 446 907 |
| Depreciation | 2 541 264 | 2 541 264 |
| Balance as at 31 March 2022 | 6 988 171 | 6 988 171 |
| Carrying Value | | |
| Balance as at 1 April 2021 | 8 829 849 | 8 829 849 |
| Balance as at 31 March 2022 | 6 030 128 | 6 030 128 |
| 2021 | | |
| Cost | | |
| Balance as at 1 April 2020 | 2 922 496 | 2 922 496 |
| Additions | 10 354 261 | 10 354 261 |
| Balance as at 31 March 2021 | 13 276 757 | 13 276 757 |
| Accumulated Amortization | | |
| Balance as at 1 April 2020 | 2 191 871 | 2 191 871 |
| Depreciation | 2 255 036 | 2 255 036 |
| Balance as at 31 March 2021 | 4 446 907 | 4 446 907 |
| Carrying Value | | |
| Balance as at 1 April 2020 | 730 625 | 730 625 |
| Balance as at 31 March 2021 | 8 829 849 | 8 829 849 |

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Tata Motors (SA) Proprietary Limited

(Registration number: 2007/034689/07)

Notes to Financial Statements (continued)

for the year ended 31 March 2022

5. Intangible assets

| | Software | Total |
|------------------------------------|------------------|------------------|
| 2022 | | |
| Cost | | |
| Balance as at 1 April 2021 | 4 083 582 | 4 083 582 |
| Additions | - | - |
| Scrapped | - | - |
| Balance as at 31 March 2022 | 4 083 582 | 4 083 582 |
| Accumulated Amortization | 4 083 582 | 4 083 582 |
| Balance as at 1 April 2021 | - | - |
| Depreciation | - | - |
| Scrapped | - | - |
| Balance as at 31 March 2022 | 4 083 582 | 4 083 582 |
| Carrying Value | | |
| Balance as at 1 April 2021 | - | - |
| Balance as at 31 March 2022 | - | - |
| 2021 | | |
| Cost | | |
| Balance as at 1 April 2020 | 4 083 582 | 4 083 582 |
| Additions | - | - |
| Scrapped | - | - |
| Balance as at 31 March 2021 | 4 083 582 | 4 083 582 |
| Accumulated Amortization | | |
| Balance as at 1 April 2020 | 4 083 582 | 4 083 582 |
| Depreciation | - | - |
| Scrapped | - | - |
| Balance as at 31 March 2021 | 4 083 582 | 4 083 582 |
| Carrying Value | | |
| Balance as at 1 April 2020 | - | - |
| Balance as at 31 March 2021 | - | - |

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Tata Motors (SA) Proprietary Limited

(Registration number: 2007/034689/07)

Notes to Financial Statements (continued)

for the year ended 31 March 2022

| | 2022 R | 2021 R |
|----------------------------------------------------|-------------------|-------------------|
| 6. Inventories | | |
| Finished Goods | 31 620 399 | 6 880 123 |
| Raw material | 34 933 884 | 5 533 947 |
| Goods in transit | 19 530 696 | 83 226 486 |
| Inventory of consumables, tools, stores and spares | 138 409 | 29 069 |
| | <u>86 223 388</u> | <u>95 669 624</u> |

During 2022 inventory was written down by R NIL (2021: RNIL) to their net realisable value.

| | | |
|---------------------------------------|-------------------|--------------------|
| 7. Trade and other receivables | | |
| Trade receivables | 54 274 824 | 158 038 169 |
| South African Revenue Service (VAT) | 2 905 660 | 5 739 928 |
| Other | 48 158 | 69 832 |
| | <u>57 228 642</u> | <u>163 847 929</u> |

The carrying amount of the trade and other receivables is considered by the Directors to approximate its fair value.

There were no transfers between stages 1, 2 and 3 during the financial year.

Based on ageing and credit risk, the directors consider the ECL allowance to be insignificant.

The balance of R13 567 434 was overdue as at 31 March 2022.

| | | |
|-------------------------------------|------------------|------------------|
| 8. Cash and cash equivalents | | |
| Cash and cash equivalents | 8 770 333 | 7 108 098 |
| Bank Overdraft | (96 162) | (4 213 545) |
| | <u>8 674 171</u> | <u>2 984 553</u> |

Bank balances and cash comprise cash held by the company and short-term bank deposits with an original maturity of three months or less. The Directors consider the carrying amounts of these assets approximate their fair values.

Company has availed Overdraft facility of ZAR 5 million from First National Bank of South Africa without any credit security. The interest chargeable at the rate of ongoing prime lending rate.

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Tata Motors (SA) Proprietary Limited

(Registration number: 2007/034689/07)

Notes to Financial Statements (continued)

for the year ended 31 March 2022

| | 2022 R | 2021 R |
|----------------------------------------------------------------------------------------|--------------------|--------------------|
| 9. Share Capital | | |
| <i>Authorised</i> | | |
| 42 000 000 ordinary shares of R1 each | <u>42 000 000</u> | <u>42 000 000</u> |
| <i>Issued</i> | | |
| 19 837 000 ordinary shares of R1 each | <u>19 837 000</u> | <u>19 837 000</u> |
| The unissued shares will remain under the control of Directors until issuance thereof. | | |
| 10. Shareholders' loans | | |
| TML Holding Pte Limited | - | 3 797 800 |
| Tata Africa Holdings (SA) Proprietary Limited | - | 2 532 000 |
| | <u>-</u> | <u>6 329 800</u> |
| 11. Deferred taxation | | |
| Opening balance | 862 174 | 1 081 348 |
| Provision / (release) for the year | <u>(420 673)</u> | <u>(219 174)</u> |
| Closing balance | <u>441 501</u> | <u>862 174</u> |
| Deferred taxation comprises: | | |
| Capital Allowance | 1 378 710 | 1 535 116 |
| Provision | (683 184) | (555 566) |
| Right of use asset | 1 628 135 | 2 472 358 |
| Lease liability | <u>(1 882 160)</u> | <u>(2 589 734)</u> |
| Deferred taxation liability | <u>441 501</u> | <u>862 174</u> |

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Tata Motors (SA) Proprietary Limited

(Registration number: 2007/034689/07)

Notes to Financial Statements (continued)

for the year ended 31 March 2022

| | 2022 | 2021 |
|---------------------|------------------|------------------|
| | R | R |
| 12. Deferred income | | |
| Government Grant: | | |
| Current | 164 160 | 164 160 |
| Non- current | 1 477 446 | 1 641 606 |
| | <u>1 641 606</u> | <u>1 805 766</u> |

The government grants relate to EIP grants received of R3 447 366 relating to capital expenditure. The income release to the statement of profit or loss and other comprehensive income of R 164 160 (2021: R 164 160) is reflected in other income.

13. Trade and other payables

| | | |
|-------------------------------------------|--------------------|--------------------|
| Trade payables | 103 976 045 | 212 704 873 |
| External | 6 217 073 | 9 822 495 |
| | <u>110 193 118</u> | <u>222 527 368</u> |
| Accrued interest on shareholder (note 24) | 5 203 | 2 369 531 |
| Payroll related accruals | 961 747 | 722 290 |
| Other payables | 1 189 607 | 903 213 |
| Right-of-use liability- short term | 2 841 380 | 2 289 501 |
| | <u>115 191 055</u> | <u>228 811 903</u> |

Included above are amounts on account of interest on shareholders' loans to Tata Africa Holdings (SA) (Pty) Limited of R5 203 (2021: R359 838) and to TML Holdings Pte. Limited of R0 (2021: R1 973 693).

The Directors consider the carrying value of the trade and other payables to approximate their fair value due to the short maturity period of these financial instruments.

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Tata Motors (SA) Proprietary Limited

(Registration number: 2007/034689/07)

Notes to Financial Statements *(continued)* for the year ended 31 March 2022

| | 2022 R | 2021 R |
|-------------------------------------------------------------------------------------|--------------------|--------------------|
| 14. Provisions | | |
| Opening balance | 786 964 | 651 714 |
| Provision raised during the year | 194 600 | 135 250 |
| Closing balance | <u>981 564</u> | <u>786 964</u> |
| The above pertains to warranty provision for possible assembly defects. | | |
| 15. Revenue | | |
| Sale of vehicles | <u>330 189 833</u> | <u>290 955 346</u> |
| 16. Profit from operations | | |
| Profit from operations is arrived at after taking the following items into account: | | |
| Audit fees | | |
| - Current year | 557 000 | 450 000 |
| - Disbursement | 23 926 | 36 059 |
| | <u>580 926</u> | <u>486 059</u> |
| Depreciation and Amortization | | |
| - Machinery | 245 528 | 257 410 |
| - Furniture and fittings | 27 613 | 26 263 |
| - Vehicles | - | - |
| - Equipment | 502 597 | 562 387 |
| - Leasehold improvement | 367 261 | 367 261 |
| - Right- of-use asset | 2 541 264 | 2 255 036 |
| | <u>3 684 263</u> | <u>3 468 357</u> |
| Assets scrapped | 4 915 | - |
| Consulting fees | 1 468 264 | 1 293 254 |
| Interest & Penalty SARS | 153 529 | 24 046 |

Tata Motors (SA) Proprietary Limited

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Notes to Financial Statements (continued)

for the year ended 31 March 2022

| | 2022 R | 2021 R |
|------------------------------------------------|------------|------------|
| 16. Profit from operations (continued) | | |
| Rental of: | | |
| - Vehicles | 211 451 | 126 617 |
| Company's contribution to pension fund | 1 645 468 | 887 806 |
| Other staff costs | 17 871 585 | 16 488 928 |
| Total staff costs | 19 517 053 | 17 376 734 |
| 17. Interest received | | |
| Bank Interest | 48 535 | 77 990 |
| Interest income on revenue (from TACSA) | 910 152 | 1 014 204 |
| | 958 687 | 1 092 194 |
| 18. Finance costs | | |
| TML Holdings Pte Limited | 235 047 | 182 079 |
| Tata Africa Holdings (SA) Proprietary Limited | 155 146 | 272 921 |
| Interest cost on purchases (to TDCV) | - | 516 595 |
| Bank Interest | 159 129 | 112 874 |
| Interest on lease liabilities | 546 026 | 455 718 |
| Other interest | 153 529 | 236 254 |
| | 1 248 877 | 1 776 441 |
| 19. Taxation | | |
| SA Normal income tax for the year | | |
| Current taxation | 4 066 841 | 1 489 087 |
| Under provision of current tax - prior year | 564 490 | - |
| Deferred taxation | (395 087) | (219 174) |
| Change in tax rate- Deferred tax | (30 985) | - |
| Under provision of deferred tax- prior year | 5 399 | - |
| | 4 210 658 | 1 269 912 |
| Reconciliation of South Africa tax rate | | |
| SA normal tax rate | 28% | 28% |
| Interest and penalties | 0% | 0% |
| Depreciation on leasehold improvements | 1% | 2% |
| Amortisation of grant income | 0% | -1% |
| Donations | 0% | - |
| Under provision of tax in prior years | 4% | - |
| Change in tax rate | 0% | - |
| Effective rate | 33% | 29% |

Tata Motors (SA) Proprietary Limited

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Notes to Financial Statements *(continued)*

for the year ended 31 March 2022

| | 2022 R | 2021 R |
|------------------------------------------------------|-------------------|-------------------|
| 20. Cash flows generated from operations | | |
| Profit before taxation | 12 685 169 | 4 311 360 |
| Adjustments for: | | |
| Income from EIP grant | (164 160) | (164 160) |
| Finance charges | 1 248 878 | 1 776 441 |
| Depreciation & Amortization | 3 684 263 | 3 468 357 |
| (Decrease)/Increase in provisions | 194 600 | 135 250 |
| Interest received | (958 687) | (1 092 194) |
| | <u>16 690 063</u> | <u>8 435 054</u> |
| Adjustments for working capital: | | |
| Decrease / (Increase) in trade and other receivables | 106 619 287 | (8 866 245) |
| Increase / (Decrease) in trade and other payables | (111 257 459) | (16 854 326) |
| (Increase) / Decrease increase in inventories | 9 446 236 | 29 245 131 |
| | <u>21 498 127</u> | <u>11 959 614</u> |

21. Financial instruments - Risk management

21.1 Capital risk management

The company manages its capital to ensure that it will be able to continue as a going concern while maximizing the return to stake holders through the optimisation of the debt and equity balances.

The company monitors capital on a basis of debt to equity. Debt comprises of interest-bearing debt from shareholders. Equity comprises share capital and reserves

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Tata Motors (SA) Proprietary Limited

(Registration number: 2007/034689/07)

Notes to Financial Statements (continued)

for the year ended 31 March 2022

| | 2022 R | 2021 R |
|----------------------------------------------------------------|-------------|-------------|
| 21. Financial instruments - Risk management (continued) | | |
| 21.1 Capital risk management (continued) | | |
| The gearing ratio at the year-end is as follows | | |
| Long Term Debt | - | 6 329 800 |
| Cash and cash equivalents | (8 770 333) | (7 108 098) |
| Net Debt | (8 770 333) | (778 298) |
| Share capital | 19 837 000 | 19 837 000 |
| Retained Earnings | 25 979 924 | 17 505 413 |
| Shareholding equity | 45 816 924 | 37 342 513 |
| Gearing ratio | 19% | 2% |

Tata Motors SA Proprietary Limited engages with the board of directors and shareholders to ensure the company is sufficiently funded.

21.2 Financial risk management

The company has exposure to the following risks arising from financial instruments:

- market risk (interest rate risk)
- credit risk
- liquidity risk

This note presents information about the company's exposure to each of the above risks, the company's objectives, policies and processes for measuring and managing risk and the company's management of capital. Further quantitative disclosures are included throughout these financial statements.

The board of directors has overall responsibility for the establishment and oversight of the company's risk management framework. The board is responsible for developing and monitoring the company's risk management policies.

The company's risk management policies are established to identify and analyse the risks faced by the company, to set appropriate risk limits and controls, and to monitor risks and adherence to limits. Risk management policies and systems are reviewed regularly to reflect changes in market conditions and the company's activities.

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Tata Motors (SA) Proprietary Limited

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Notes to Financial Statements (continued)

for the year ended 31 March 2022

| | 2022 R | 2021 R |
|----------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|-----------|-------------|
| 21. Financial instruments - Risk management (continued) | | |
| 21.3 Interest rate risk | | |
| <i>Profile</i> | | |
| The company manages liquidity risk through the compilation and monitoring of cash flow forecast, as well as ensuring that adequate borrowing facilities and resources are maintained within the company. | | |
| The interest rate risk profile of the interest-bearing financial instruments was: | | |
| <i>Variable rate instruments</i> | | |
| Shareholders' loans | | |
| - TML Holdings Pte Limited | - | (3 797 800) |
| - Tata Africa Holdings (SA) (PTY) Limited | - | (2 532 000) |
| | | (6 329 800) |
| Bank Overdraft | (96 162) | (4 213 545) |
| | (96 162) | 10 543 345 |

Sensitivity cash analysis

A reasonably possible change of 100 basis points in the interest rates on the reporting date would have increased (decreased) profit or loss by the amounts shown below. This analysis assumes that all other variables remain constant

| | 100 bp decrease | 100 bp increase |
|------------------------|--------------------|-----------------|
| 2022 | | |
| Profit before taxation | 962 | (962) |
| 2021 | | |
| Profit before taxation | 105 433 | (105 433) |

21.4 Credit risk

Credit risk refers to the risk that counterparty will default on its contractual obligations resulting in financial loss to the company. The company has adopted a policy of only dealing with creditworthy counterparties verifying their credit worthiness by performing credit checks, as a means of mitigating the risk of financial loss from defaults. The vast majority of customers are related parties.

The credit risk on liquid funds is limited because the counterparties are banks with high credit-ratings assigned by international credit-rating agencies.

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Tata Motors (SA) Proprietary Limited

(Registration number: 2007/034689/07)

Notes to Financial Statements (continued) for the year ended 31 March 2022

| | | 2022 | 2021 |
|----------------------------------------------------------------------|------|------------|-------------|
| | | R | R |
| 21. Financial instruments - Risk management (continued) | | | |
| 21.4 Credit risk (continued) | | | |
| Financial assets exposed to credit risk at year end were as follows: | | | |
| | Note | | |
| Trade and other receivables | 6 | 57 228 642 | 163 847 929 |
| Cash and cash equivalents | 7 | 8 770 333 | 7 108 098 |

21.5 Liquidity risk

The responsibility for liquidity risk management rests with Tata Motors (SA) Proprietary Limited management and ultimately the Board of Directors. The company manages liquidity risk by maintaining adequate reserves, banking facilities and reserve borrowing facilities by monitoring actual cash flows. Tata Motors (SA) Proprietary Limited engages with the Board and shareholders to ensure that the company has adequate funds to cover its commitments over the next twelve months

Exposure to liquidity risk

The following are the remaining contractual maturities of financial liabilities at the reporting date.

| Financial liabilities at amortised cost | Note | Contractual cash flows | | |
|--------------------------------------------|------|------------------------|-------------|--------------|
| | | Total | 1 Year | 2 to 5 Years |
| 2022 | | | | |
| Bank overdraft | 8 | 96 162 | 96 162 | - |
| Trade and other payables | 13 | 115 191 055 | 115 191 055 | - |
| Right-of-use liability | 23 | 4 129 584 | | 4 129 584 |
| 2021 | | | | |
| Bank overdraft | 8 | 4 213 545 | 4 213 545 | - |
| Trade and other payables | 13 | 228 811 903 | 228 811 903 | - |
| Shareholder loans | 10 | 6 329 800 | - | 6 329 800 |
| Right-of-use liability | 23 | 6 959 550 | - | 6 959 550 |

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Notes to Financial Statements (continued)

for the year ended 31 March 2022

| | 2022 R | 2021 R |
|---------------------------------------------------------|-----------|-----------|
| 22. Guarantees | | |
| The following bank guarantees exist with Standard Bank: | 1 420 000 | 1 420 000 |

23. Leases

IFRS 16 - leases was implemented from 1 January 2019 on the implementation date the relevant lease liability was recognised.

Refer to Note 4 for recognition of the building right of use asset on implementation date and depreciation charge recognised Lease as lessee (IFRS 16)

Right-of-use asset

Right-of use asset related to lease property that do not meet the definition of investment property is presented as property, plant and equipment.

| | | |
|-----------------------------|-------------|-------------|
| Balance at the beginning | 8 829 849 | 730 625 |
| Adjustments to right-of-use | (258 457) | 10 354 260 |
| Amortization for the year | (2 541 264) | (2 255 036) |
| Balance at end of year | 6 030 128 | 8 829 849 |

Lease liability

| | | |
|--------------------------------|-------------|-------------|
| Balance at the beginning | 9 249 051 | 887 952 |
| Interest expense | 546 026 | 455 718 |
| Lease payments | (2 565 655) | (2 448 879) |
| Adjustments to lease liability | (258 457) | 10 354 260 |
| Balance at end of year | 6 970 965 | 9 249 051 |

Right-of- use liability- Long-term

4 129 584

6 959 550

Right-of-use liability- Short-term

2 841 380

2 289 501

Lease liability comprises:

| | Expiry | Incremental borrowing costs | Carrying Amount |
|--------------------|--------|--------------------------------|-----------------|
| 2022 | | | |
| Land and Buildings | 2025 | 7% | 6 030 128 |
| 2021 | | | |
| Land and Buildings | 2025 | 7% | 8 829 849 |

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Notes to Financial Statements *(continued)*

for the year ended 31 March 2022

23. Leases (continued)

Maturity analysis of lease liability

Undiscounted contractual cash flows:

Within one year

1 - 5 years

After 5 years

2022

3 232 023

4 340 199

Nil

The lease liabilities recognized under other financial liabilities are measured at the present value of the outstanding lease payments at the date of provision. The lease payments are discounted at the incremental borrowing rate. When re-measuring, interest is accrued on the lease liability, and the corresponding interest expense is recognized under financial result. Payments reduce the carrying amount of the lease liability. In addition, the carrying amount of the lease liability is adjusted upon specific re-measurement.

In transitioning to IFRS 16, Tata Motors (SA) has utilized the exemptions allowing leases with a remaining term of less than twelve months to be treated as short-term leases, initial direct costs to be ignored when measuring right-of-use assets for the first time, and current knowledge to be taken into account when determining the lease terms of contracts with extension and / or termination options.

At March 31, 2022, the right-of-use assets totaled R6 030 128 and current lease liability R6 970 965.

For the year ended 31 March 2022, a total of R 2 541 264 in depreciation of right-of-use assets was recognized in operating profit, together with an interest expense of R 546 026.

Amounts recognised in profit or loss

Interest on lease liabilities

(546 026)

Amortization on right-of-use asset

(2 541 264)

Amounts recognised in the statement of cash flow

Total cash outflow for lease

2 565 655

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Tata Motors (SA) Proprietary Limited

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Notes to Financial Statements (continued)

for the year ended 31 March 2022

24. Related party transactions

2022
R

2021
R

During the year, the company entered into the following transactions with related parties:

Tata Automobile Corporation (SA) (Pty) Limited

*Fellow
Subsidiary*

| | | |
|-------------------------------------------|---|-------------|
| - Payment for expenses incurred for TMSA | - | (170 343) |
| - Purchase of spare parts | - | (63 402) |
| - Interest on late payment | - | 498 333 |
| - Payment for expenses incurred for TACSA | - | 1 274 579 |
| - Revenue for the sale of vehicles* | - | 287 140 714 |

Tata Africa Holdings (SA) (Pty) Limited

Shareholder

| | | |
|-------------------------------------------|-------------|-------------|
| - Payment for expenses incurred for TMSA | (312 835) | - |
| - Purchase of spare parts | (180 354) | - |
| - Interest on late payment | 910 152 | - |
| - Payment of expenses incurred for TAHL | 133 702 | - |
| - Revenue for the sale of vehicle | 323 202 090 | - |
| - Rental of premises | (2 802 607) | (2 448 880) |
| - Insurance premium paid on leased assets | (82 066) | (78 139) |
| - Interest on loan (note 18) | (155 146) | (182 079) |

Tata Motors Limited

*Fellow
Subsidiary*

| | | |
|-----------------------------------------|---------------|--------------|
| - Services rendered | 2 666 096 | 6 187 233 |
| - Supply of SKD kits | (172 510 120) | (77 910 606) |
| - IT chargeback | (292 499) | (189 866) |
| - Payment for expenses incurred for TML | - | (333 095) |

Tata Daewoo Commercial Vehicle Company Limited

*Fellow
Subsidiary*

| | | |
|------------------------------------------|--------------|---------------|
| - Supply of SKD kits* | (53 736 042) | (120 600 366) |
| - Payment for expenses incurred for TDCV | - | 119 040 |
| - Purchase of spare parts | - | (69 337) |

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Tata Motors (SA) Proprietary Limited

(Registration number: 2007/034689/07)

Notes to Financial Statements (continued)

for the year ended 31 March 2022

| | | 2022 R | 2021 R |
|--------------------------------------------------------------------------------------------|----------------------------------------------------------|-----------|-----------|
| 24. Related party transactions (continued) | | | |
| During the year, the company entered into the following transactions with related parties: | | | |
| <i>TML Holdings Pte. Limited</i> | <i>Shareholder</i> | | |
| Interest on loan (note 18) | | (235 047) | (272 921) |
| 7.5 % Withholding tax on Interest- SARS | | 165 656 | - |
| <i>Tata Technologies Limited</i> | <i>Fellow Subsidiary</i> | (558 000) | (540 000) |
| - Services rendered | | | |
| <i>Tata de Mocambique LDA</i> | <i>Fellow Subsidiary</i> | | |
| Revenue sale of vehicles | | 2 027 680 | 1 378 000 |
| <i>Tata Zambia Limited</i> | <i>Fellow Subsidiary</i> | | |
| Revenue sale of vehicles | | 4 960 112 | 350 000 |
| <i>Tata Uganda Limited</i> | <i>Fellow Subsidiary</i> | | |
| Revenue sale of vehicles | | - | 2086 632 |
| <i>Tata Sons Private Limited</i> | <i>Promoter of major companies within the Tata Group</i> | | |
| - Brand equity | | (496 730) | (226 914) |

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Tata Motors (SA) Proprietary Limited

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Notes to Financial Statements (continued) for the year ended 31 March 2022

| | 2022 R | 2021 R |
|-------------------------------------------------------------------------------------------|------------|-------------|
| 24. Related party transactions (continued) | | |
| As at year end, the company had the following outstanding balances with related parties: | | |
| <i>Tata Automobile Corporation (SA) (Pty) Limited</i> <i>Fellow Subsidiary</i> | | |
| - Trade receivables (note 7) * | - | 157 688 169 |
| - Trade payables (note 13) | - | 188 972 |
| <i>Tata Africa Holdings (SA) (Pty) Limited</i> <i>Shareholder</i> | | |
| - Trade receivables (note 7) | 54 274 824 | - |
| - Trade payables (note 13) | 393 644 | - |
| - Rent payable | 272 495 | - |
| - Accrued interest on shareholders' loans (note 13) | 5 203 | 395 838 |
| - Shareholders' loan (note 10) | - | 2 532 000 |
| <i>Tata Motors Limited</i> <i>Fellow Subsidiary</i> | | |
| - Trade payables (note 13) | 64 053 423 | 59 218 302 |
| <i>Tata Daewoo Commercial Vehicle Company Limited</i> <i>Fellow Subsidiary</i> | | |
| - Trade payables (note 13) * | 39 528 981 | 153 297 598 |
| <i>Tata Zambia Limited</i> <i>Fellow Subsidiary</i> | | |
| - Trade receivables (note 7) * | - | 350 000 |
| <i>TML Holdings Pte. Limited</i> <i>Shareholder</i> | | |
| - Accrued interest on shareholders' loans (note 13) | - | 1 973 693 |
| - Shareholders' loan (note 10) | - | 3 797 800 |
| <i>Tata Sons Private Limited</i> <i>Promoter of major companies within the Tata Group</i> | | |
| - Brand equity | (496 730) | (226 914) |

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Tata Motors (SA) Proprietary Limited

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Notes to Financial Statements (continued)

for the year ended 31 March 2022

25. Going Concern

The financial statements have been prepared on the basis of accounting policies applicable to a going concern. The basis presumes that funds will be available to finance future operations and the realization of assets and settlement of liabilities, contingent obligations and commitments will occur in the normal course of business.

26. Directors emoluments

| | Basic R | Bonus R | Total R |
|----------------------------|-------------------|------------------|-------------------|
| 2022 | | | |
| Prescribed officers | | | |
| Jay Choksi | 1 448 304 | 24 557 | 1 472 861 |
| Pranab Ghosh | 1 435 047 | 94 249 | 1 529 296 |
| | <u>2 883 351</u> | <u>118 806</u> | <u>3 002 157</u> |
| Directors | | | |
| Len Johan Brand | 5 768 837 | 1 754 065 | 7 522 902 |
| Niraj Srivastava | 4 378 375 | 1 371 019 | 5 749 394 |
| | <u>10 147 212</u> | <u>3 125 084</u> | <u>13 272 296</u> |
| 2021 | | | |
| Prescribed officers | | | |
| Jay Choksi | 1 449 042 | 24 771 | 1 473 813 |
| Pranab Ghosh | 1 647 505 | 102 958 | 1 750 463 |
| | <u>3 096 547</u> | <u>127 729</u> | <u>3 224 276</u> |
| Directors | | | |
| Len Johan Brand | 3 349 708 | 520 323 | 3 870 031 |
| Niraj Srivastava | 3 666 071 | 490 328 | 4 156 399 |
| | <u>7 015 779</u> | <u>1 010 651</u> | <u>8 026 430</u> |

All remuneration disclosed above was paid to prescribed officers in respect of services rendered as prescribed officers of the company for the financial year unless a prescribed officer resigned from or joined the company during the period. The remuneration paid to directors in respect of services rendered as other directors of other companies.

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Tata Motors (SA) Proprietary Limited

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Notes to Financial Statements *(continued)*

for the year ended 31 March 2022

27. Events after reporting period

The directors are not aware of any events of a material nature that have occurred between the accounting period and the date of this report.

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